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CSS CORN AND OTHER FEED GRAIN PROGRAMS

The Commodity Stabilization Service administers "action" programs for corn and the other feed grains -- oats, barley, grain sorghums, and rye (which is also sometimes classified as a food grain). These programs include: (1) price supports, through which an attempt is made to stabilize farm prices; and (2) the necessary operations in storing and disposing of stocks acquired through price support activities.

Production or marketing adjustment programs (acreage allotments and marketing quotas) are not in effect for any of the feed grains.

PRICE SUPPORT

Price support for each of the five feed grains is required by the currently controlling legislation, in accordance with the provisions of the Agricultural Act of 1958. This Act provides a new basis for determining price support levels for corn, as well as for the other feed grains.

Support Levels -- Through the 1958 production year, there were two general levels of mandatory corn price support. In a designated "commercial area" (which in 1958 included a total of 932 counties in 26 States) the corn support for those who complied with acreage allotments was set within a range of 75 to 90 percent of the current parity price, depending on the supply situation. In the rest of the country, the "non-commercial" area, the support was at three-fourths of the level of price support to cooperators in the commercial area.

Supports on the other four feed grains were not mandatory. At the discretion of the Secretary of Agriculture, they were set at levels determined to be desirable under current conditions.

The Agricultural Act of 1958 offered producers a choice of corn programs. In a referendum that fall, farmers chose a new program -- to take effect first with the crop of 1959.

Under the new program, there is no designation of a separate commercial corn area, and there are no acreage allotments. The same basic support level, with appropriate differentials for grade and location, applies in all States.

The basis of determining the national average corn support level is also different under the "new" program. It is set at 90 percent of the average adjusted market price received by producers for the preceding three-year calendar period, or at 65 percent of parity, whichever is higher. In other words, it is at 90 percent of the three-year average, but at not less than 65 percent of parity.

This method of support price determination was used for the first time in setting the level for the 1959 crop. It indicated a national average corn support level of \$1.12 a bushel. This was 90 percent of the \$1.25 a bushel weighted average farmers received in the 1956, 1957, and 1958 calendar years. (Sixty-five percent of the October 1, 1959, parity price was \$1.10 a bushel. Because this was lower than the three-year average of \$1.12, it had no effect on the determination of the 1959 support level.)

For the 1960 corn crop, the sixty-five percent of parity minimum determined the minimum support level. This was \$1.06 per bushel, on the basis of the February 1960 corn parity price of \$1.63 a bushel. Ninety percent of the three-year (1957-59) weighted average price for corn received by producers was

\$1.04 a bushel -- a lower figure than the \$1.06 minimum and therefore not effective in 1960 support.

Under the revised legislation, price supports have been mandatory (beginning with the 1959 crops) for oats, barley, rye, and grain sorghums. These supports are required to be set at "fair and reasonable" levels in relation to the corn support level, taking into consideration the relative feeding values and a number of other factors which were spelled out in earlier legislation.

The same dollars-and-cents support levels were set for both the 1959 and 1960 crops of the four "other" feed grains. On a national average basis, they were as follows:

Barley -- 77 cents per bushel for Grade No. 2 or better

Grain Sorghums -- \$1.52 per hundredweight for Grade No. 2 or better

Oats -- 50 cents per bushel for Grade No. 3

Rye -- 90 cents per bushel for Grade No. 2 or better

These support levels represented 60 percent of the then current parity prices when they were in effect for 1959 crops. For 1960 production, on the basis of February 1960 parity prices, they reflect within less than one percentage-point of the same 60 percent for each of the four grains.

Method of Support -- Farmers receive support on their crops of all feed grains through nonrecourse loans and purchase agreements. The "nonrecourse" feature of the loans means that delivery to the Government by producers of the same quantity and quality of the grain constitutes payment of the loans in full, regardless of the market value at settlement time. Under purchase agreements, which supplement the loan program, farmers in effect indicate their intention

to sell grain to the Government at loan price levels before the end of the agreement period. No loan transactions are involved, and the producer may or may not exercise his option to deliver (and sell) his grain.

For a 1960 crop, the law specifies that nonrecourse loans and purchase agreements cannot exceed \$50,000 to any one individual, unless the acreage planted for 1960 harvest is cut back 20 percent from the 1959 acreage. A producer may obtain a recourse loan in any amount above the \$50,000 limit for nonrecourse loans, but all of this recourse loan must be paid back in full when it matures. In other words, a total of only \$50,000 worth of a crop, on a loan-value basis, can be surrendered to the Government in satisfaction of loans.

The feed grains must be in approved farm or warehouse storage to be eligible for price-support loans. The grains must also meet certain quality and moisture requirements.

Farmers obtain loans and purchase agreements through Agricultural Stabilization and Conservation (ASC) offices located in every county in the feed-growing area. The loan amount received by a farmer is based on the number of bushels put under loan and on the loan rate for the locality. A loan rate is established for each county for the five feed grains in the feed-producing areas. Terminal loan rates are also established for rye, barley and grain sorghums, but not for corn and oats. These loan rates vary from county to county and from terminal to terminal. They reflect the national average support prices with adjustments for location and for price relationships among the different areas over a period of years. In determining the actual loan rate, premiums and discounts are applied to the bushel value for the grade and quality of the grain offered.

Price support loans are available on each year's crop from harvest time through January 31 of the following year for oats, barley, rye and grain sorghums, and through May 31 for corn in most areas. Purchase agreements must be signed by these closing dates.

Corn loans mature on July 31 and grain sorghums loans on March 31. Oats, barley, and rye loans mature in most States on April 30; in 16 eastern and southeastern States, on the last day of February.

Farmers can redeem their loans at any time prior to maturity by paying the face value of the loan plus charges, mainly interest at $3\frac{1}{2}$ percent. At loan maturity, if the grain is still under price support, it is taken over by the Government. This takeover, provided there is no deficiency in quantity or quality, repays the loan in full, even though the cash market value may be less than the amount of the loan.

Purchase agreements also terminate at the loan maturity date. The producer is not required to sell to the Government the grain covered by the agreement, but if he elects to do so he must give notice of his intention to deliver. The price the producer gets is the same as the corresponding loan rate.

STORAGE AND DISPOSAL

The large quantities of feed grains acquired under support operations have created complex storage and disposal jobs. When production is above consumption, as it has been in recent years, heavy volumes of the feed grain produced over and above the amount that moves into use under the existing pricing structure end up in the inventory of the Commodity Credit Corporation, the support-financing agency.

At the end of December 1959, more than 1.2 billion bushels of corn, 269 million hundredweight of grain sorghums, 65 million bushels of barley, 17 million

bushels of oats, and 4 million bushels of rye were in the CCC inventory.

Storage Operations -- These heavy inventory holdings have made necessary very extensive storage operations. CCC stocks are stored primarily in the normal commercial (including cooperative) warehouse facilities which are available throughout the country. Commercial storage is handled under a Uniform Grain Storage Agreement, which specifies rates and terms. In early 1960, approximately 11,000 warehouses were "signed up" under the Agreement and therefore eligible to store price-support grain.

Rapid expansion of commercial warehouse space in recent years has been the major factor in providing adequate facilities to store increasingly heavy supplies of grain, including price-support stocks. Farmers have also made material increases in their own on-farm space.

It has been necessary, however, for the Commodity Credit Corporation to acquire a considerable volume of its own facilities, for use when available commercial space was not adequate to meet current needs. Bought over the years as emergencies developed, CCC special bin facilities reached a total of nearly one billion bushels capacity by 1956. It has not been necessary to buy any government bins since 1956. The capacity early in 1960 was approximately 985 million bushels.

Principal use for CCC storage bins has been to hold inventory stocks of corn. Only a relatively small percentage of the corn harvested moves traditionally into commercial channels. Under normal circumstances, most corn is consumed by livestock in or near the area of production. As government holdings of corn built up, it was necessary to have space to handle loan stocks which were delivered under the price support programs. Available commercial facilities were frequently not adequate. The CCC bins, erected on bin-sites which

were concentrated primarily in the major corn producing States, have been used to meet these local shortages.

Some other grains have been stored in the government bins, but in most instances the expansion of commercial facilities has been adequate to meet storage needs. A survey in September 1959 showed that about half of the more than a billion bushels of corn then in inventory was stored in commercial warehouses and half in CCC-owned bins. At that same time, however, the bulk of all government inventory stocks of the other four feed grains was in commercial storage -- with only relatively small percentages in CCC bins.

Disposal Operations -- In addition to storage, a major CSS-CCC responsibility involves the disposal of inventory holdings. Continuous efforts are made to move as much as possible of the surplus over-hang into useful channels of distribution and consumption. Both domestic and export outlets are utilized.

There are legal limitations on the domestic disposal of CCC-owned grain stocks. In general, sales cannot be made at less than 105 percent of the current price support level for each commodity, plus reasonable carrying charges. This limitation does not apply when inventory grain is deteriorating, or threatened with deterioration. From time to time, stocks have been sold under this provision at the current market price for the grade and quality. Inventory stocks have also been used in emergency feed programs. Regular commercial sales within the statutory minimum have also been possible at times. In total, considerable volumes of CCC grain have been moved into domestic use.

The limitation on sales prices does not apply to exports, and a great deal has been done to increase and hold export outlets.

Export payments are made to bridge the gap between United States feed grain prices and world prices, so that sales can be made abroad to assure our

producers a fair share of the world market. To encourage movement of feed grains to countries lacking dollars with which to buy, the Government, through USDA's Foreign Agricultural Service, accepts foreign currencies in payment for feed grains under the provisions of Public Law 480. Feed grains are also exchanged for strategic and other materials under a barter program. Corn, in the form of cornmeal, has been donated to feed needy people abroad, as well as in the United States.

Before a program change in 1958, a very large proportion of all United States feed grain exports came directly from the CCC inventory. Since that time, under a "payment-in-kind" program, export supplies are drawn primarily from commercial stocks, with the subsidy needed to meet world prices paid "in kind" from CCC stocks.

As a result of this major program change, export demand now has a direct impact on commercial markets. This encourages more commercial holding of feed grains and less movement into price-support inventory. At the same time, the use of CCC stocks to make the export payment permits some turnover of Government-owned grain and helps in inventory management.

As a result of the special efforts to find both domestic and export outlets, a total of more than two billion 50 million bushels of feed grains was moved out of CCC inventories from July 1, 1953 through June 30, 1959.

In spite of this large disposal operation, however, acquisitions of more than three billion 500 million bushels of feed grains under price support programs during this same six-year period increased the CCC holdings by around a billion and a half bushels. At the end of 1959, there was a total of about one billion 800 million bushels of feed grains in the CCC inventory.

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